

Transcript of Background Press Conference Call to Discuss Proposed Mideast Free Trade Area Announced by President Bush
May 9, 2003

Moderator: O.K. everybody, let's try this again. Please, on top of no speaker phone, no "hold" please. We will start this background call, we had started with _____. He will be conducting this call on background as a Senior Administration Official. The call is about the proposed Mid-East Free Trade Area announced by President Bush this afternoon. _____ will speak about the trade aspects and then we'll open it up to questions from you. When you ask your question, please state your name and the organization that you work for.

Senior Administration Official: Thank you. As _____ said, this is one element of a larger effort by the Administration to engage with the Middle East on economic issues to expand prosperity in that region. And it envisions a commitment by the United States, in partnership with the countries of the region to promote trade liberalization and expansion, and economic reform in the region.

Basically the idea is to expand regional trade but also trade between the region and the rest of the world economy. Ultimately, we see this leading to a U.S.-Middle East Free Trade Agreement, this is not something that is going to occur tomorrow or the next day, but it is a process with that as the ultimate goal, within a decade. We are confident that this kind of trade engagement and expansion and liberalization will contribute to the stability of the region, and that it will contribute to economic development and help with the alleviation of poverty.

The strategy is one of clear, graduated steps, progressive steps for the countries of the region to increase their trade engagement with us. And basically what it is, countries in the region are at different levels not only of development but of engagement in trade with the rest of the world, and in having the kind of policies that allow them to be competitive and participate successfully in the trading system.

So what we are proposing is to work with countries at the level at which they are now, and to work with them to move, as I said, towards a greater level of engagement, ultimately a free trade arrangement with that region. So, for example, a number of countries are in the process of acceding to the WTO. We will continue to work with them to help them join that organization. We have other building blocks to work with, with these countries. For example, with several of the countries, we have what we call Trade and Investment Framework Agreements. These are bilateral consultative mechanisms that we have with countries, to work on trade problems, to get rid of trade impediments, and to promote the kinds of policies that enable these countries to be successful traders in the international system.

Another element in this progressive approach is the possibility of negotiating bilateral investment treaties with countries. As we move up the progression, there certainly is the possibility, and we look forward to this possibility, of negotiating free trade agreements with countries. As you know, we already have a free trade agreement with Jordan. We are in the midst of negotiating a free trade agreement with Morocco. And we would expect that Morocco negotiation to be completed in this calendar year.

At every stage, whether it's at the stage of WTO accession or TIFA's or BIT's or FTA's themselves, targeted trade capacity-building will be a part of our efforts. And this is to enable countries to negotiate trade agreements, to carry them out, and to take advantage of the opportunities that are created by these trade agreements. So it's important to emphasize that the countries themselves need to take on significant responsibilities, economic reform and liberalization of their economies. This is a partnership, something that we work on with those countries that are prepared to engage in this sort of partnership and are looking for assistance in making the reforms necessary to become fuller participants in the world trading system.

Obviously this is something that we will be doing in close consultation with Congress. Any free trade agreements that we negotiate will be, of course, consistent with the requirements of Trade Promotion Authority.

So this is the basic structure that we envision. As I said, we already have a free trade agreement with Jordan, that has shown to be a great stimulus to trade between the United States and Jordan. Just to give you the order of magnitude, our imports from Jordan in 2002, were over \$400 million, and that was an increase of 80 percent over the previous year of 2001. We are now negotiating a similar agreement with Morocco.

So, those are the basic elements in our proposal and we look forward to working with these countries in the region. To make a region that is a region of stability and prosperity and close economic relations with the United States.

I would happy to answer any questions that you have.

Question: This is Jim Burger from Washington Trade Daily. So this resembles the Enterprise for ASEAN Initiative? Or how is it different from that?

Senior Administration Official: Well it has a number of the same features in the sense, specifically that it has this graduated approach. You deal with countries where they are at the moment and you move toward a greater degree of engagement and a greater ability on their part to trade internationally. Ultimately, going to a free trade agreement with the United States, yeah.

Question: This Elizabeth Bumiller from the New York Times. How many countries are we talking about? All 23 in the Middle East?

Senior Administration Official: Well this is open, ultimately, to all those countries that are prepared to participate in economic reform and liberalization.

Question: Including Libya and Syria?

Senior Administration Official: I'm not saying that individual countries are eligible today or ready today. Not all countries are ready today to participate in this type of engagement. Our hope is, obviously, that the whole region ultimately will be not only ready, but it will be able to achieve this kind of objective.

Question: This is Steve Norton from Congressional Quarterly. Two questions. One, can you name a single country that has said that they would like to have an FTA with the U.S.? And you talk about an FTA within the decade, considering that Chile and the U.S., which both wanted an FTA, have been working on it for what seems to be a decade, is it really realistic to be setting up that kind of a timetable?

Senior Administration Official: The reason that it was taking ten years with Chile is, we didn't have Trade Promotion Authority for nine of those ten years. Once we got Trade Promotion Authority, we were able to move rather quickly with Chile. So I don't think that, I think that you're drawing the wrong conclusion from the Chile situation.

[crosstalk]

Question: Can you go back to the first question? So are there any countries, we know about Jordan and Morocco, any other countries that say, "hey, we're ready, let's sit down and start talking"?

Senior Administration Official: Well, I think that it's reasonably well known that, for example Bahrain has expressed an interest in this. And that from time to time, Egypt has expressed an interest.

Question: Paul Blustein with the Washington Post. Are Pakistan and Afghanistan included in the list, just a quick factual question?

Senior Administration Official: No they are not, they are not included under the Middle East.

Question: Well if not, wouldn't there be a risk that, for example, their textile exports would be end up being discriminated against? I mean these are countries that we obviously care about too, in terms of developing their economies for some of the same reasons that we care about...

Senior Administration Official: Well, I'd say two things on that. Don't forget we have the entire Doha Development Agenda. They are participants in the WTO, and frankly we have a rather bold proposal on textiles in the Doha round. And secondly, we also have engagement with these countries on a bilateral basis. So I don't think you should assume they're going to end up discriminated against.

Question: [unintelligible] from Egyptian newspaper [unintelligible]. I just wanted to ask about the goal of determining ten years, in particular. What does that mean - do you mean in like, ten years do you want to reach agreement with all countries. And Egypt in particular, is very interested in a free trade agreement, and I wonder where the situation stands for Egypt right now.

Moderator: Before the question is answered, I'd like to remind everyone that he is answering these questions on background as a "Senior Administration Official."

Senior Administration Official: Ok, the way we see this is, in the early stages, we see

ourselves negotiating bilateral free trade agreements with individual countries, such as we have done with Jordan and are doing with Morocco. At some point we would see that there is a critical mass of such agreements, that these would be able to come together. As we negotiate these agreements, we will have a series of agreements, some will be achieved this year, Morocco will be achieved this year, others in future years. At a certain point there will be a number of agreements out there, and we would look for a way to bring these agreements together as a single regional, free trade arrangement with the United States.

Question: What about Egypt's status with the free trade negotiations right now?

Senior Administration Official: Well with any country that we are negotiating, we would pursue that negotiation on its merits and at a speed that made sense for that country.

Question: [unintelligible] newspaper. Do you see Israel as part of this agreement in the next few years?

Senior Administration Official: Well, I don't know what the time frame is, but ultimately, obviously we hope that the whole region would be one of peace, security, and prosperity.

Question: Jutta Hennig from Inside US Trade. You spoke about the WTO accessions. Who is in line besides Saudi Arabia? And the United States has blocked the Saudi Arabian accession up to now because of the Saudi support for the Arab boycott of Israel. Is the United States now dropping that opposition when you say we're going to work getting them in...

Senior Administration Official: I'm sorry, I think you're misinformed. We have been engaging in the working group on Saudi accession in the WTO. So we have not had a block on that at all. We have cooperated with them, and even have provided technical assistance in the form of advisors to talk about what's involved in joining the WTO.

Question: Does it require a country that wants to participate in this initiative, to drop the boycott of Israel?

Senior Administration Official: Well, for a country to be within the WTO, to be compliant with its obligations in the WTO, it cannot engage in such government boycotts.

Question: And for a country to be eligible in this Mid-East initiative, would it have to drop its support the Arab boycott of Israel.

Senior Administration Official: Well, we would see that countries that would be at a point that would be able to negotiate free trade with us, certainly would be members of the WTO, and so, in that sense, yeah, they would have to be abiding by all the WTO requirements.

Question: This is Rosh [unintelligible] from Al Jazeera. You've mentioned that an agreement with Morocco might be achieved this year, and others maybe within the next decade. Where are Bahrain and Egypt from this? How long, what is the short term time frame for these two countries to have an agreement with the U.S.?

Senior Administration Official: Well with any of these countries, we would have to be consulting with the countries. That would something that would be a joint determination, and a lot depends on how far down the road of economic and trade reform a country already has under gone.

Question: But give us a practical framework, and time for each of the...?

[crosstalk]

Question: This is Doug from Reuters...

Moderator: Sorry what is your name and organization?

Question: ...from Al [unintelligible] to follow up on my colleague from Al Jazeera

Senior Administration Official: Yes, what's the question?

[crosstalk]

Question: Can we just have a time frame other than ten years...?

Question: Other than the ten years?

Senior Administration Official: Well, I mean, for any country, this is not something that can be determined unilaterally. It is something that comes out of a consultation with a country to determine what it is prepared to do, what is necessary to reach the kind of standards - remember, I said these are free trade agreements that will have to be consistent with our Trade Promotion Authority. We have to work with Congress on this, and ensure that these agreements are going to be of the standard, the high standards, that we have in these agreements.

Question: Yes, we understand, but what is your assessment for how far Bahrain and Egypt are at this stage?

Senior Administration Official: Until we sit down and talk with them and with any other countries, I think it would be a disservice for me for me to unilaterally, personally, speculate on what the time frame would be.

Question: This is Doug with Reuters. Senator Baucus says that in the next couple of weeks or so, he's going to introduce a bill for Middle East and Muslim countries that would establish a preferential program, like for Andean countries and for sub-Saharan Africa. What is the Administration's view of that, do you see that as complimentary to what you are doing here?

Senior Administration Official: Well, I think the very important thing to understand here, is that there is more to this than simply improving access into the U.S. market. An essential part of it is to promote the kinds of changes in these economies and in their trade regimes that will make

them sustainable trading partners, not just with us but with the rest of the world. And not dependent indefinitely on preferential, unilateral, conditional benefits.

Question: So would you prefer not to go the unilateral route?

Senior Administration Official: That's correct. We think that the better way to go, both for us and for the other countries, is this kind of reciprocal free trade. It's a whole lot more predictable. And as far as investors are concerned, it's a much more favorable environment than something that is preferential and on a unilateral and temporary basis. And if you look at the GSP, and the number of times that has lapsed, you'll see exactly what I'm talking about.

Question: Do you see this Free Trade Initiative having any effect on OPEC as an organization? Could they continue to exist if there is a free trade agreement between the United States and the Middle East?

Senior Administration Official: Well, certainly an organization like OPEC is free to meet and to talk about common issues involving petroleum and oil and energy. It's really a different kind of organization.

Question: How do you think the market in the area can participate considering that it is not a member of the WTO and does not have a relationship with the United States?

Senior Administration Official: Well, that's why I say, this has a progressive element to it, more than a progressive element, it's actually the center. The centerpiece is that it is a progressive policy. So for those countries that are not yet members of the WTO, that are ready to join the WTO, we're prepared to work with them at that level. And as they move up the rungs of the ladder, we have a deeper level of engagement.

Question: This is Jeff Sparshott with the Washington Times, do you have any special consideration for Iraq and how to bring them into the process?

Senior Administration Official: Well that's a pretty complicated issue. Obviously, this is something that we're looking at in combination with the reconstruction of Iraq and the rejuvenation of civil society and a functioning and responsive democratic government. So it's something that has to fit in, in the proper timetable with the other changes that are occurring in Iraq.

Moderator: We'll take one more question?

Question: Do you think the bigger challenge right now is establishing trade with the U.S.
[crosstalk, music]

and some of these countries or trade among these countries. In other words, intra trade in the region. Is that as much an obstacle as is bilateral agreements with the U.S.?

Senior Administration Official: We very much want to bolster that and that is why ultimately we see it as an integration arrangement in the region including us but that it's not just bilateral

spokes into the U.S. economy.

And I just want to emphasize one thing at the end, before the music gets too loud: We talked about a number of countries here. I want to emphasize that we need to do consultations with the countries, we need to do consultations with Congress, there have been no agreements on initiating negotiations, beyond Morocco, at this point. So I don't want people to misunderstand where we stand today.

Moderator: Again, _____ was speaking on background as a Senior Administration Official. I'd like to thank everyone for joining us this afternoon.

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